

## CHAPTER 14

### GRANTS, COOPERATIVE AGREEMENTS, AND TECHNOLOGY INVESTMENT AGREEMENTS

1. **INTRODUCTION.** Grants, cooperative agreements, and technology investment agreements are financial assistance instruments, rather than acquisition instruments, used by DOE to transfer money or property to a recipient to accomplish a public purpose authorized by Federal statute.
  - a. **Purpose.** This chapter prescribes policies and general procedures for the accounting and financial management of grants and cooperative agreements administered by DOE.
  - b. **Applicability.** This chapter applies to all Departmental elements, including NNSA. It does not apply to contractors.
  - c. **Policy.** It is the policy of DOE to account for and to administer financial assistance instruments in accordance with applicable statutory authority, Office of Management and Budget (OMB) and Department of the Treasury guidelines, and Departmental policies and procedures governing such agreements.
2. **ACCOUNTING PROCEDURES.**
  - a. **Recording of Obligations.** The contracting officer (CO) obtains a properly executed certification of funds availability from the allottee before signing the award document. The award document shall cite the appropriation and accounting classifications to be obligated. See Chapter 5, "Accounting for Obligations," for further guidance.
  - b. **Deobligations.** A reduction or withdrawal of funds from a grant, cooperative agreement or a technology investment agreement shall require that the Field Chief Financial Officer (Field CFO) or equivalent receive an amended Notice of Financial Assistance Award (NFAA), signed by the authorized CO and recipient, before the Field CFO or equivalent deobligates the funds from the accounts. An exception to this requirement shall occur when the recipient has not accepted (signed) a grant NFAA, provided that no funds have been drawn by or paid to the recipient. In this case, the CO issues a revision action to the NFAA, which deobligates the award after providing the recipient with at least 2 weeks written notice of DOE's intention to deobligate.

**c. Payments.**

**(1) Timing of Payments.** Payment shall be made to the recipient either before the recipient makes cash outlays (advance) or after the recipient has incurred costs (reimbursement). The CO shall determine the payment terms prior to the award and include them and other conditions in the award. As prescribed in DOE's Guide to Financial Assistance Agreements, the CO shall consult and coordinate with the Field CFO or equivalent in carrying out this activity.

**(a) Advance.** Payments may be made in advance of performance for awards to the recipient, provided the recipient has a financial management system that meets the requirements set forth in title 10, sections 600-121(b), 600.220, and 600.311 of the Code of Federal Regulations (10 CFR 600.121(b), 600.220, 600.311), including procedures that will minimize the time elapsing between the transfer of funds from Treasury and their disbursement by the recipient. Additional information regarding advance payments can be found under 10 CFR 600.122, 600.221, 600.312 and 603.805.

Federal funds should be promptly refunded to DOE and redrawn later if the funds are erroneously drawn in excess of immediate disbursement needs. The only exceptions to the requirement for prompt refunding are when the funds involved will be disbursed by the recipient organization within seven calendar days, or are less than \$10,000 and will be disbursed within 30 calendar days. These exceptions to the requirement for prompt refunding should not be construed as approval by Treasury or DOE for a recipient organization to maintain excessive funds; they are applicable only to excessive amounts of funds erroneously drawn.

Grants, Cooperative Agreements, Technology Investment Agreements with Institutions of Higher Education, Hospitals, Other Non-profit, and Commercial/Profit Organizations – Field CFO or equivalents shall ensure that recipients maintain advances of Federal funds in insured, interest bearing accounts. However, interest bearing accounts are not required for these recipients if neither [1], [2], or [3] applies:

- [1] The recipient receives less than \$120,000 in Federal awards per year;
  - [2] The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances (\$1,000 for technology investment agreements); or
  - [3] The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- (b) **Reimbursement.** Reimbursement is payment to the recipient upon the recipient's request for reimbursement of costs incurred in performing under its financial assistance award. Reimbursement shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph 2.c.(1)(a) above. The recipient shall submit requests for reimbursement monthly, unless the award authorizes more frequent payment or, in the case of cooperative agreements or technology investment agreements, arrangements have been agreed upon for a milestone payment schedule.
- (c) **Working Capital Advance Basis.** If the CO determines reimbursement is not feasible, because the recipient lacks sufficient working capital, the Department may provide funds on working capital advance basis. On this basis, the CO authorizes cash advances to the recipient to cover its estimated disbursement needs for an initial period of time, generally geared to the recipient's disbursement cycle. The period of time is to be decided by the CO but normally should not exceed 30 days. Thereafter, payments are made to the recipient organization for the amount of its actual cash disbursements.
- (2) **Disbursement.** The Department of Treasury's Automated Standard Application of Payment System (ASAP) must be used for all agreements that provide for advance funding. Agreements that provide for cost reimbursement may be paid either by ASAP or by Automated Clearing House. The cognizant Field CFO or equivalent shall be responsible for providing the recipient with the necessary instructions for requesting payment. Additional procedures for disbursement are in Chapter 6, Cash, and Chapter 7, Advances, Prepaid Expenses, and Other Assets, and the Treasury Financial Manual (I TFM 4-2000 and 6-2000).

- (3) **Payments to Financial Assistance Recipients.** Payments are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, the Field CFO or equivalent shall make payments within 30 days of a valid request for reimbursement.
  - (4) **Withheld Payments.** The Field CFO or equivalent shall not withhold payments from grantees for proper charges, except when: (1) a recipient has failed to comply with the project objectives, the terms and conditions of the award, or DOE reporting requirements; or (2) the grantee or sub-grantee is delinquent on debt owed to the United States. Further details for withholding payments are cited in 10 CFR 600.122(h), 600.221(g), 600.243, or 600.312(g). In the event a payment is to be withheld, the CO shall provide advance written notice to the grantee in accordance with these provisions.
- d. **Cash Management.** The Field CFO or equivalent shall manage and monitor advances to ensure recipient compliance with the requirement that cash balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs. Exceptions to this rule are provided under 2.c.(1)(a) above. Additional cash management guidance is described in Chapter 6, Cash; Chapter 7, Advances, Prepaid Expenses, and Other Assets; and I TFM 6-2000 and 6-8000.
  - (1) The Field CFO or equivalent shall use financial reports required by the terms and conditions of the award to monitor the cash position of a recipient of a financial assistance award. These documents may include Standard Form (SF) 269, Financial Status Report - Long Form, and SF-269A – Short Form; SF-270, Request for Advance or Reimbursement; SF-271, Outlay Report and Request for Reimbursement for Construction Programs; SF-272 and SF-272A, Federal Cash Transactions Report; and any other report of a recipient's financial activity that may be required for effective cash management.
  - (2) Upon termination or completion of the award and after cognizant CO notification, the Field CFO or equivalent shall take prompt action to recover any unencumbered cash balances advanced to the recipient.
- e. **Program Income.**
  - (1) Program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income may include income from fees for

services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. In many instances, grant recipients are entitled to retain income to defray program costs. DOE's Code of Federal Regulations provides separate rules governing the use of program income as follows:

- (a) For Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations – 10 CFR 600.124 and 10 CFR 600.130-137 for property;
  - (b) For Grants and Cooperative Agreements with State and Local Governments – 10 CFR 600.225 and 10 CFR 600.231-232 for property; and
  - (c) Grants and Cooperative Agreements with For-Profit Organizations – 10 CFR 600.314 and 10 CFR 600.320-325 for property.
  - (d) Technology Investment Agreements – 10 CFR 603.835.
- (2) Interest earned on advances of Federal funds is not considered program income. However, the following grant recipient organizations are allowed to retain a portion of interest for administrative expenses as follows:
- [a] State and Local Governments – up to \$100 in interest per year; and
  - [b] Institutions of Higher Education, Hospital, Other Non-Profit Organizations, up to \$250 per year.

Regulations for grant recipients are subject to change. Please refer to 10 CFR 600, "Financial Assistance Rules," for changes involving interest earned on Federal Funds.

Recipients shall remit to DOE any interest or other investment income earned on advances of DOE funds as required by the Cash Management Improvement Act of 1990, and OMB Circular A-110, Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.

The Field CFO or equivalent shall deposit the interest to Treasury Account 891435, General Fund Proprietary Interest, Not Otherwise Classified. The power marketing administrations shall deposit miscellaneous interest to the reclamation fund or the revolving funds as appropriate. In addition, interest earned on advances funded with Nuclear Waste Fund (NWF) shall be returned to the NWF.

- f. Other Receipts/Refunds.** The recipient must remit excess funds to the Field CFO or equivalent where they are accounted for as refunds and deposited in the same appropriation account as the previous recorded disbursement. Detailed guidance for determining availability of fund balances is in Chapter 3, Appropriations and Other Funds. The Field CFO or equivalent shall notify the contracting office upon collection and deposit of any funds returned to DOE.
- g. Adjustments.** Whenever DOE adjusts the amount of an award, it shall also make an appropriate adjustment to the amount of required cost sharing so that the adjusted award maintains any required percentage of cost sharing in the cosponsored project in accordance with terms of the award instrument. In addition, when authorized by the award instrument, general program income may be used to meet the cost sharing requirement of the grant agreement; however, the amount of the Federal grant award remains the same. Any requirements governing the disposition of program income earned after the end of the award period must be spelled out in the terms of the agreement.
- h. Financial Reporting.**

  - (1)** The recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each DOE-sponsored project or program in accordance with financial reporting requirements of the grant, the cooperative agreement, or the technology investment agreement. The financial reports submitted to the Department shall include those described in 10 CFR 600, subparts B,C, and D, 10 CFR 603.880 and to those required by OMB, the General Accounting Office, and by the Department in fulfilling its cash management responsibilities in accordance with Treasury regulations.

These reports may include but are not limited to the SF-269 or SF-269A to report the status of funds for all non-construction projects or programs. DOE has the option of not requiring the SF-269 or SF-269A when the SF-270, Request for Advance or Reimbursement, or SF-272, Federal Cash Transactions Report, is determined to provide adequate information to meet DOE needs.

- A final SF-269 or SF-269A shall be required, though, at the completion of the project when the SF-270 is used only for advances.

When funds are advanced, recipients are required to submit the SF-272 and, when necessary, its continuation sheet, 272(a).

- (2) By law, financial reporting requirements placed upon financial assistance recipients are limited to minimize administrative reporting burdens. Generally, reporting shall be no more frequently than quarterly and no less frequently than annually. The procurement office, program office, and Field CFO or equivalent shall jointly determine the type and frequency of reporting that best serve DOE's financial interests and objectives in making the award.
- (3) The Field CFO or equivalent shall review reports for completeness, accuracy, and compliance with the terms and conditions of the award. The CO should follow up with the recipient regarding reports not received or not received in a timely manner or reports that are inadequate or incorrect in order to identify and resolve any problems. The Field CFO or equivalent should record cost accruals for grants, cooperative agreements, and technology investment agreements as follows:
  - [a] Awards of \$750,000 or less – Field CFOs or equivalents should simultaneously record the obligation and cost for grants, cooperative agreements, and technology investment agreements with a total award of \$750,000 or less.
  - [b] Awards where a subsequent procurement action(s) raise the award value of a below threshold limit instrument above \$750,000 – the subsequent obligation will also be fully costed if the subsequent action is less than \$750,000.
  - [c] Grants, cooperative agreements, and technology investment agreements over \$750,000 that use ASAP for payment – costs are automatically recorded as they are paid. Because ASAP payments may not reflect actual costs incurred, offices should provide supplementary cost information to the Energy Finance and Accounting Service Center (EFASC) to adjust costs as necessary and, at a minimum, in September of each year.
  - [d] Grants, cooperative agreements, and technology investment agreements not using the ASAP for payment – Field CFOs

or equivalents must provide costing information to the EFASC so they can record the costs.

Field CFOs or equivalents must annually reconcile costs recorded in the financial system with costs reported by recipients through the end of the year for each grant, cooperative agreement, or technology investment agreement with a total award over \$750,000. These adjustments should be made using the most recent cost information (e.g. SF-272, SF-269, or other cost reporting) submitted by the grantee.

### 3. **COST PRINCIPLES AND ALLOWABLE COSTS.**

- a. Review of Allowable Costs.** Unless specified by statute, program rule, or other terms and conditions of the award, the CO shall determine allowable costs in accordance with cost principles cited in the following:
- (1) OMB Circular A-21, “Cost Principles for Educational Institutions.”
  - (2) OMB Circular A-87, “Cost Principles for State, -Local and Indian Tribal Governments.”
  - (3) OMB Circular A-122, “Cost Principles for Non-Profit Organizations.”
  - (4) OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
  - (5) 45 CFR 74, Appendix E, Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals.
  - (6) 48 CFR 31.2, as modified by 48 CFR 931.2, DOE Acquisition Regulations Covering Contracts with Commercial Organizations.
- b. Cost Sharing.** *Cost Sharing* or *matching* means the value of the third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the Federal Government. Cost sharing, whether cash or in-kind, must meet the same tests of allowability as applied to DOE funds. Cost sharing requirements are detailed in 10 CFR 600.30, 600.123, 600.224, 600.225(g)(3), 600.313, and 600.525-555.



**4. MISCELLANEOUS ACCOUNTING.**

- a. Property Accounting.** Property acquired under a financial assistance award or property furnished by DOE to a recipient is subject to standards in 10 CFR 600.130-137, 600.231-233, 600.320-325, and 603.680-695. The Field CFO or equivalent shall account for Government-owned property held by assistance recipients in the Departmental accounts in the same manner as for Government-owned property held by contractors (see Chapter 10, Property, Plant and Equipment). 10 CFR 600.133, 10 CFR 600.232(f), 10 CFR 600.322 and 10 CFR 603.690 provide reporting requirements for recipients possessing government owned property.
- b. Closeout.** The Department shall notify recipients in writing before the end of the grant period of final reports that shall be due, the due dates, and where they must be submitted. Copies of required forms and instructions shall also be included with the notification. Within 90 days after expiration or termination of the award, the recipient shall submit all performance and financial reports required as a condition of the award. The CO may grant an extension at the recipient's request. Detailed closeout procedures can be found in Chapter 21, Financial Closeout, and 10 CFR 600.171, 600.250, 600.361, and 603.1100-1120.